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SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
Los Angeles, California

Single Audit Report on Expenditures of Federal Awards

Year ended June 30, 2009

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Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Southern California Regional Rail Authority
Los Angeles, California

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Southern California Regional Rail Authority (SCRRA) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SCRRA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SCRRA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCRRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management of SCRRA, others within SCRRA, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Morgan H. McCon

Irvine, California
December 23, 2009



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Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the Southern California Regional Rail Authority (SCRRA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. SCRRA's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of SCRRA's management. Our responsibility is to express an opinion on SCRRA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SCRRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on SCRRA's compliance with those requirements.

In our opinion, SCRRA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of SCRRA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the SCRRA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SCRRA's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects SCRRA's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by SCRRA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by SCRRA's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of SCRRA as of and for the year ended June 30, 2009, and have issued our report thereon dated December 23, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Board of Directors
Southern California Regional Rail Authority
Los Angeles, California

This report is intended solely for the information and use of the Board of Directors, management of SCRRA, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nayan Hoffman M. C. C.

Irvine, California
December 23, 2009

Southern California Regional Rail Authority

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Funding Agency/Program Name	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Program Expenditures
U.S. Department of Transportation:			
Passed through Caltrans:			
Federal Railroad Administration - Railroad Safety	20.301	HSR-7500(053)	<u>13,545</u>
Direct assistance:			
Federal Railroad Administration - Next Generation	20.312	DTFR53-05H-00202	<u>93,330</u>
Direct assistance:			
Federal Transit Administration - Capital Investments	20.500	CA030552	(25,634)
Federal Transit Administration - Capital Investments	20.500	CA030662	10,200,473
Federal Transit Administration - Capital Investments	20.500	CA030695	360,635
Federal Transit Administration - Capital Investments	20.500	CA030747	6,470,092
Federal Transit Administration - Capital Investments	20.500	CA050205	1,273,808
Federal Transit Administration - Capital Investments	20.500	CA050208	1,464,908
Federal Transit Administration - Capital Investments	20.500	CA050223	392,720
Federal Transit Administration - Capital Investments	20.500	CA040045-00	37,721
Federal Transit Administration - Capital Investments	20.500	CA050223-01	396,142
Federal Transit Administration - Capital Investments	20.500	CA050235	9,362,994
Passed through Ventura County Transportation Commission:			
Federal Transit Administration - Capital Investments	20.500	CA050226	<u>2,351,311</u>
Total Federal Transit Administration - Capital Investments			<u>32,285,170</u>
Federal Transit Administration - Formula Grants	20.507	CA900077	475,677
Federal Transit Administration - Formula Grants	20.507	CA909011	65,893
Federal Transit Administration - Formula Grants	20.507	CA909908	594,231
Federal Transit Administration - Formula Grants	20.507	CA90Y267	2,014,855
Federal Transit Administration - Formula Grants	20.507	CA90Y323	2,414,534
Federal Transit Administration - Formula Grants	20.507	CA90Y412	369,432
Federal Transit Administration - Formula Grants	20.507	CA90Y477	1,266,544
Federal Transit Administration - Formula Grants	20.507	CA90Y489	6,066,743
Federal Transit Administration - Formula Grants	20.507	CA90Y579	31,438
Federal Transit Administration - Formula Grants	20.507	CA90Y608	27,486
Federal Transit Administration - Formula Grants	20.507	CA90Y687	901,812
Federal Transit Administration - Formula Grants	20.507	CA96X046-01	3,131
Passed through Orange County Transportation Authority:			
Federal Transit Administration - Formula Grants	20.507	CA90Y349	2,399,522
Passed through Ventura County Transportation Commission:			
Federal Transit Administration - Formula Grants	20.507	CA90Y611	<u>1,302,370</u>
Total Federal Transit Administration - Formula Grants			<u>17,933,668</u>
Total Federal Transit Administration Cluster			<u>50,218,838 *</u>

(Continued)

See accompanying notes to the schedule of expenditures of federal awards

Southern California Regional Rail Authority

Schedule of Expenditures of Federal Awards

(Continued)

<u>Funding Agency/Program Name</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Federal Program Expenditures</u>
Direct assistance:			
Federal Transit Administration - Job Access Reverse Commute	20.516	CA37X068	<u>252,188</u>
Federal Transit Administration - ITS Integration	20.514	CA260049	<u>271,952</u>
Total U.S. Department of Transportation			<u>50,849,853</u>
U.S. Department of Homeland Security:			
Direct assistance:			
Department of Homeland Security	97.075	2005-GB-T5-0002	12,976
Department of Homeland Security	97.075	2006-RL-T6-0001	1,628,788
Department of Homeland Security	97.075	2007-RL-T7-K001	<u>138,362</u>
Total U.S. Department of Homeland Security:			<u>1,780,127</u> *
Total Federal Awards			<u>\$ 52,629,979</u>

* Major Program

See accompanying notes to the schedule of expenditures of federal awards

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(1) **Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

(a) **Scope of Presentation**

The accompanying schedule presents only the expenditures incurred (and related awards received) by the Southern California Regional Rail Authority (SCRRA) that are reimbursable under federal programs of federal financial assistance. For purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by SCRRA from non-federal entities. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized and the portion of program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) **Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) **Subrecipients**

During the fiscal year ended June 30, 2009, the Agency did not disburse any of its federal funds to subrecipients.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Summary of Findings and Questioned Costs

Year ended June 30, 2009

(A) Summary of Auditors' Results

1. An unqualified opinion was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control based upon our audit of the financial statements.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses in internal control over major programs of the auditee.
5. An unqualified opinion was issued by the auditors on compliance for its major program.
6. The audit disclosed no audit findings required to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were the Federal Transit Administration Cluster, CFDA Nos. 20.500 and 20.507 and the Rail and Transit Security, CFDA No. 97.075 from the Department of Homeland Security.
8. The dollar threshold used to distinguish Type A and Type B programs was \$1,578,899.
9. The auditee met the criteria to be classified as a low risk auditee for the year ended June 30, 2009, for purposes of major program determination.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There were no auditors' findings required to be reported in accordance with GAGAS.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133

There were no auditors' findings required to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Summary Schedule of Prior Audit Findings

Year ended June 30, 2009

There were no prior audit findings from previous audit reports requiring follow-up during the year ended June 30, 2009.